

Consumerism of Household Sector: Impact on Pollution and Economic Development

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Abstract

Consumerism leads to economic development in a free market economy. In a free market economy, the resource allocation and distribution is mostly done based on profitability. At times this might affect the performance of the economy and might drift away from the basic objective of social justice. However after one and half decades of liberalization, we can't do away with positive and negative effects of liberalization. But we have to cope up with them and develop alternative policies for better economy, better economic growth and better planet for future generations.

1. Introduction

It is a very well known fact that agriculture sector with the increased use of fertilizers and pesticides, any processing industry is polluting the environment to a major extent. For the economic development of a country all the sectors of the economy has to progress at a required rate. In Indian economy, contribution from these two sectors primary and secondary is quite noteworthy. Till

80's contribution from agriculture sector is almost 43% and now the relative share is slowly declining and recorded 22% in 2004. Even the process industry or secondary sector's relative share in the national income had shown increasing trend from

13.3% in 50's to 26.9% in 2003-04, to national income. At present there is a steady increase in the contribution to national income from service sector or tertiary sector. The share of service sector was

27.5% in 50's and it increased to 51% in 2003-04. This is a very good indicator for economic development. In the past most of the developed countries had also shown similar kind of growth pattern. The service sector in India, for the purpose of national income accounting include transport and Communications, trade, hotels, hospitals, financial services, social and personal services.

Liberalization of the economy in the year 1991, has resulted in the expansion and development of these

service sectors to a major extent. Especially the boom in software resulted in a huge increase in its contribution. Along with increased levels of its contribution to national income, it also resulted in increase in personal disposable income of selected groups. Especially, earlier who could be classified as middle - income group/middle class now emerged as neo-rich class and do have more disposable income. This coupled with availability of more consumer durables within the country as well as many more coming in to the country led to consumerism in India. Further, changes in saving pattern, aggressive advertisements by the companies led to consumerism in India.

The objective of the present paper is to study the effect of increase in consumerism after the liberalization and its impact on levels of pollution. It is a fact that consumerism leads to economic development in a free market economy. In a free market economy, the resource allocation and distribution is mostly done based on profitability. At times this might affect the performance of the economy and might drift away from the basic objective of social justice. However after one and half decades of liberalization, we can't do away with positive and negative effects of liberalization. But we have to cope up with them and develop alternative policies for better economy, better economic growth and better planet for future generations.

In this paper, authors are considering the impact of consumerism on only one service sector i.e. transport sector, and its impact on pollution as well as to its contribution to economic development. This transport service sector has a huge potential to pollute environment in three major ways. Firstly, when vehicles are being manufactured, secondly when they are on the roads and finally when they are discarded completely as junk. However, the present article is confined to only one stage i.e., when they are on the road and its impact on pollution and economic development.

Liberalization has brought various changes into the economy through structural changes [reforms] in this

sector. This changed the attitudes of consumers, producers and suppliers of transport equipment and finally service providers.

However, the present paper is confined to the study of consumers' attitudes in buying vehicles, their impact on pollution, economic growth and impact on balance of payments. This study is based on secondary as well as primary data. Secondary data is collected from internet and office of APSRTC and Pollution control board of Warangal. A sample survey is conducted in Warangal district of Andhra Pradesh on 69 vehicle users at various petrol pumps and selected offices. Authors collected data on consumer attitudes on purchase of vehicles, consumer's monthly expenditure on travel/petrol, number of kilometers traveled per day, mileage of vehicle, income of the consumer and type of purchase etc.,

In India, pre-liberalized era, typically visualized traditional modes of transport such as bullock carts, cycles, rickshaws and buses as their means of transport especially in rural areas and partially in towns. Most of these are eco-friendly and non-pollutant instruments in transport Sector. Now a days people are mostly depending on personal vehicles which run with petrol or diesel causes air-pollution. Under present conditions, owning a two-wheeler or a four-wheeler has become a necessary and is considered as essential by households. Number of two wheelers, three wheelers and four wheelers has been increasing at an unbelievable rate. Even a laborer or unemployed youth who is earning a minimum or no amount also a using motorized two wheelers.

2. Attitudes of Consumers

A consumer, a unit of a household for purchase and consumption of goods and services is having non-satisfaction of desires. These increased tremendously after the liberalization. To satisfy his needs he is coming to the market for purchase of new goods and services. There is a clear shift in consumers' attitudes over a period of time in India. The pre-liberalized era typically visualized excessive demand in this sector when compared to supply of goods. Removal of quantitative tariffs and restrictions in post-liberalized scenario is giving him an opportunity to exercise /exhibit his purchasing power. This purchasing power also changed drastically after liberalization. This is once again a result of tax reforms. These reforms increased the disposable income of the consumer. Increase in disposable income is mainly due to saving pattern of

consumers and change in attitudes of consumer.

In a developing country like India, vehicle owning is considered to be a status symbol or prestige symbol. In pre-liberalized economy very few owned the vehicles. Even if a consumer wanted to own a vehicle, he has to wait for a very long time in a queue to become a pride owner of a vehicle. After the liberalization, most of the automobile manufacturers are geared up to cater to these needs of consumers. Consumers in return had replaced their eco friendly vehicles by motorized two, three or four wheelers. It has multiple affects on the economy. It had contributed to the growth of automobile industry on one side and increased total import bill on crude oil in balance of payments, and led to high levels of pollution on the other side.

The authors when interviewed respondents through administered questionnaire a majority of them reported that they have more than one vehicle at their place. Only self-employed youth mostly three wheeler drivers are an exemption to this. Our survey revealed that most of the students as well as car owners reported ownership of more than one vehicle. The reason which they had to having more than one vehicle is a) their home being located on the outskirts of the city b) irregular timings of public transport and c) their professional demands d) saving of time and e) convenience etc.

3. Suppliers of Transport Equipment Growth of Automobile Industry

Taking advantage of liberalization, the Indian automobile industry started growing at a compound annual growth rate of 29% between 2006 and 2011*. The same trend is continuing in automobile manufacturing industry till today. The growth rate was 18.1% in 2008-2009, 20% in 2009-10 (This data about performance of automobile industry is collected from the statistics of Ministry of commerce and Industry). The contribution of this sector along with auto component sector is ₹4,000 crores in 2008-09 and approximately one lakh crores in 2009-10.

Increase in the manufacturing and sale of transport equipment is mainly due to liberalization, where the industrialists are given an opportunity to make use of foreign technology and foreign investment. Along with this, the automobile industry made lot many innovations and introduced new models on the road coupled with the easy and inexpensive finance (credit) with easy repayments. Banking sector reforms contributed a lot to easy finance. The credits in this sector did increase from ₹34,000 crores in 2008-09 to ₹44,000 crores in

2009-10. As a result of this, manufacturers could promise at least one vehicle to most of the salaried class, middle-income group consumers. As a result the total number of vehicles on the road increased tremendously leading to high levels of pollution.

4. Vehicle Growth and Effect on Pollution Levels

Warangal District/Town: The road transport corporation and RTO were contacted to know the growth of vehicles in Warangal District. On the basis of data available, growth of vehicles on road in Warangal district has increased tremendously. In the year of 1990-91 number of all two wheelers traveled on road was 34,447 that number has increased to 98,027 in 2000-01 and to 128637 in

2003-04 and to 224456 in 2008-09. The annual growth of two wheelers is 184%. In case of three wheelers, number of vehicles on road was 919 in the year 1990-91, and it increased to 6253, in the year 2000-01 and to 12382 in 2003-0 and to 25419 in

2008-09. The growth rate of it is 580%. Similarly, for four wheelers, the number of vehicles used on roads in the year 1990-91 was 2854 and it had gone to 7491 in the year 2000-01 and to 11,722 in 2003-04 and 25478 in 2008-09. The growth rate of it is 162%.

Within a span of 10 years, Warangal district had observed a rapid growth in number of vehicles used. This situation reveals a great threat to the existing eco-system in this area. Air pollution has been increasing.

All sections of people irrespective of their economic status, prefer to maintain a vehicle.

Specially, in case of three wheelers the growth rate is nearly 600%. It indicates that most of the unemployed youth are purchasing auto rickshaws or jeeps under some self employment schemes like PMRY, JRY etc. On an average they are running these vehicles nearly 150 km per day to support themselves and their families economically. Mostly two wheeler owners are students, unemployed youth and depend on their parents.

4.1 Distance Traveled

The maximum distance covered by vehicles per day is another factor influences the level of pollution in a particular area. Mainly, the diesel auto rickshaws are covering maximum distance in a day. On average, the distance like 150 km per day covered by these vehicles. Some of them covered more than

200 km in a day. The unemployed youth are becoming auto drivers. These vehicles are their only source

of income. The banking policies are also attracting them with attractive schemes. Some of them are running these vehicles on hire purchase basis.

In two wheelers, out of 33 vehicles, 15 vehicles (i.e., nearly 45%) are used to travel at a maximum distance 30 km in a day. That means 45% of two vehicles are old vehicles, which omits more gases causing high level of pollution. These vehicles are not to be used. The government will not permit them to use on roads. Another factor here that the students who are unemployed covered maximum distance in a day by these vehicles.

The owner of four wheelers (cars), in general belong to high-income group. The mileage of these vehicles as expected is very low. The owners of these vehicles travel a limited distance when compared to other types of vehicles.

4.2 Income

In view of income levels of people, out of 69 nearly 33 people i.e. 47.8% are earning the maximum amount of ₹ 4000/- per month, which is not sufficient to maintain their families. Some of them are not having any source of income. In the remaining, nearly 22 people i.e. 31.8% of people belong to middle class income group. Just 14 people belong to high-income group. From this data, we can say that nearly 80% of vehicles are run by lower income and middle income group people which leads to economic inequalities. This situation appears in our economy even due to liberalized economic policies are implemented by the then governments since 1991.

Out of 69 vehicles, 33 vehicles i.e., 47.8% of vehicles are giving the mileage less than 30 km per liter. Most of them are three and four wheelers. But these are used in large number. This causes high levels of pollution. Mainly in three wheelers, most of them had purchased their vehicles with the help of bank loans.

5. Vehicle Growth and Impact on Economic Growth

Automobile industry has registered a good progress in exports of India. The growth percentage in automobile exports was 16.6% in 1998-99 and was 32.8% in 2004-05. [http://www.Economywatch.Com/business-and-economy/automobile.Industry.html] the production of total vehicles increased from 4.2 millions in 1998-99 to 7.3 millions in 2003-04. it is likely that the production of such vehicles will exceed 10 millions in the next couple of years.

6. Vehicle Growth and Impact on BOP

An increase in number of vehicles will affect the economy directly as well as indirectly. The direct cost of this increase can be seen by looking at import on oil bill as well as increase in pollution levels. Indirectly this is felt on number of increased accidents, traffic jam etc. The import bill of India had increased from `136 crores in 1970 to `5,264 crores in 1980-81, to `10,816 crores in 1990-91. These are the statistics on import bill of oil before liberalization. This has increased by 2 and half times and became `25,000 crores in 1995-96. It had increased to `71,497 crores in 2000-01. This, however had declined to `66,769 crores in 2001-02 and recorded `85,367 crores in 2002-03, and to 94,520 crores in 2008-09. Even the share of oil, petroleum and Lubricants had increased from 28.7% in 2002-03 to 30.5% in 2008-09.

7. Vehicle Growth and Impact on Public Road Transport Corporation.

The study looked into the growth of 2-wheelers and 3-wheelers on the performance of state road transport corporation within city limits. To know this, authors have considered a few performance indicators, such as number of buses operated within city limits, earnings per bus, and occupancy ratio. From the secondary data provided by APSRTC, it is observed that number of buses run by this organization within the city limits had come down from 50 buses in 2001 to 43 in 2002. This further had come down to 38 in 2003 to 36 in 2004. Even the earnings per bus had come down from `2,096 in 2001 to `1569 in 2008. The third performance indicator, occupancy ratio, also showed a decline. The occupancy ratio had come down from 56 in 2001 to 37 in 2008. A general observation also suggested that in off peak hours and on holidays, it is much lower and at times it is less than ten.

8. Conclusions

Some remedial measures are to be implemented in controlling vehicular pollution.

- Providing jobs to unemployed youth and not to encourage them in private transport sector.
- Banking policies are to be regulated. The terms and conditions in sanctioning the loans for vehicles are to be modified and strictly implemented.
- Promoting the habit of using public transport by job holders
- Promoting the habit of Sharing a cab
- Providing awareness among the youth to save fuel

- Youth have to be encouraged to innovate new technologies to reduce pollution
- Automobile industry should be encouraged to produce vehicles where hazards emissions will be minimized
- The performance of State Road Transport Corporations are to be improved to achieve the long term objective of decreasing the crude oil bill as well as decreasing pollution
- Private transport should be very much discouraged to protect environment.

Personal transport has to be discouraged if not we are going to end with similar type of problems which other developed countries are facing right now.

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